



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
CLINTON COUNTY  
SHERIFF'S SETTLEMENT - 2000 TAXES**

**October 5, 2001**

**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
WWW.KYAUDITOR.NET**

**144 CAPITOL ANNEX  
FRANKFORT, KY 40601  
TELE. (502) 564-5841  
FAX (502) 564-2912**



## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE SHERIFF'S SETTLEMENT - 2000 TAXES**

**October 5, 2001**

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2000 Taxes for Clinton County Sheriff as of October 5, 2001 and have issued a qualified opinion thereon. The Sheriff's attorney did not provide us with a legal representation letter as required by auditing standards generally accepted in the United States of America.

#### **Financial Condition:**

The Sheriff collected taxes of \$1,612,575 for the districts for 2000 taxes. The Sheriff distributed taxes of \$1,544,665 to the districts for 2000 Taxes. Refunds of \$1,488 are due to the Sheriff from the taxing districts.

#### **Report Comments:**

- The Sheriff Should Close His Tax Accounts By Collecting All Receivables And Paying All Amounts Owed
- The Sheriff Should Distribute Tax Collections By The Tenth Of Month
- The Sheriff Should Distribute Interest Earned On Tax Collections Monthly
- The Sheriff Should Deposit Funds Intact On A Daily Basis
- The Sheriff Should Prepare Tax Settlement By September 1
- The Sheriff Should Publish Settlement
- The Sheriff Should Pay Advertising Costs To The Fiscal Court
- The Sheriff Should Transfer Any Delinquent Franchise Tax Bills To County Clerk
- The Sheriff Should Have Required Depository Institutions To Pledge Or Provide Additional Collateral Of \$75,658 To Protect Deposits
- Lacks Adequate Segregation of Duties
- The Sheriff Should Improve Recordkeeping Procedures

#### **Litigation:**

On July 21, 2000, Clinton County legal counsel, on behalf of the Clinton County Fiscal Court and Clinton County Taxing Districts, filed a lawsuit in Franklin Circuit Court against Clinton County Sheriff Kay Riddle and his bonding companies, Great American Insurance Company and United Pacific Insurance Company. This lawsuit seeks to recover \$58,797 owed the Clinton County Fiscal Court and Clinton County Taxing Districts per audit reports for Sheriff's Settlement - 1997 Taxes and Sheriff's Settlement - 1998 Taxes. However, as of October 5, 2001, the Sheriff has paid the following amounts included in the \$58,797: \$227 to the Kentucky State Treasurer and \$28,807 to the Clinton County Board of Education. The suit's outcome cannot be predicted at this time.

On December 11, 2000, legal counsel, on behalf of the Clinton County Sheriff, filed a lawsuit in Clinton Circuit Court against the Clinton County Judge/Executive. This lawsuit seeks to recover \$53,814 due from the Clinton County Fiscal Court per audit report for Clinton County Sheriff - Calendar Year 1999. These funds represent Sheriff's salary, employer's share of FICA, and unemployment insurance contributions. The suit's outcome cannot be predicted at this time.



## CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT .....	1
SHERIFF'S SETTLEMENT - 2000 TAXES .....	3
NOTES TO FINANCIAL STATEMENT .....	5
SCHEDULE OF EXCESS ASSETS OVER LIABILITIES.....	8
COMMENTS AND RECOMMENDATIONS .....	15
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS .....	23





EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Charlene King, Clinton County Judge/Executive

Honorable Kay Riddle, Clinton County Sheriff

Members of the Clinton County Fiscal Court

Independent Auditor's Report

We have audited the Clinton County Sheriff's Settlement - 2000 Taxes as of October 5, 2001. This tax settlement is the responsibility of the Clinton County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

Except as discussed in the fourth paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Sheriff prepares his financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The Sheriff's attorney did not provide us with a legal representation letter as required by auditing standards generally accepted in the United States of America.

In our opinion, except for the effects of any matters that might have been disclosed if we had been provided a legal representation letter, the accompanying financial statement referred to above presents fairly, in all material respects, the Clinton County Sheriff's taxes charged, credited, and paid as of October 5, 2001, in conformity with the modified cash basis of accounting.

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Charlene King, Clinton County Judge/Executive  
Honorable Kay Riddle, Clinton County Sheriff  
Members of the Clinton County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated April 29, 2002, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discusses the following areas of noncompliance.

- The Sheriff Should Close His Tax Accounts By Collecting All Receivables And Paying All Amounts Owed
- The Sheriff Should Distribute Tax Collections By The Tenth Of Month
- The Sheriff Should Distribute Interest Earned On Tax Collections Monthly
- The Sheriff Should Deposit Funds Intact On A Daily Basis
- The Sheriff Should Prepare Tax Settlement By September 1
- The Sheriff Should Publish Settlement
- The Sheriff Should Pay Advertising Costs To The Fiscal Court
- The Sheriff Should Transfer Any Delinquent Franchise Tax Bills To County Clerk
- The Sheriff Should Have Required Depository Institutions To Pledge Or Provide Additional Collateral Of \$75,658 To Protect Deposits
- Lacks Adequate Segregation Of Duties
- The Sheriff Should Improve Recordkeeping Procedures

The schedule listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statement. Such information has been subjected to auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated in all material respects in relation to the financial statement taken as a whole.

Respectfully submitted,



Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
April 29, 2002



CLINTON COUNTY  
KAY RIDDLE, SHERIFF  
SHERIFF'S SETTLEMENT - 2000 TAXES

October 5, 2001

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 119,927	\$ 157,459	\$ 888,347	\$ 313,142
Tangible Personal Property	10,512	9,469	53,346	75,167
Intangible Personal Property				5,069
Fire Protection	1,002			
Franchise Corporation	13,374	12,620	70,630	
Additional Billings	93	122	691	243
Oil and Gas Property Taxes	839	1,102	6,218	2,192
Limestone, Sand, and Mineral Reserves	43	57	318	112
Penalties	1,414	1,792	10,101	3,868
Adjusted to Sheriff's Receipt	1,065	6	(2)	18
Gross Chargeable to Sheriff	\$ 148,269	\$ 182,627	\$ 1,029,649	\$ 399,811
<u>Credits</u>				
Exonerations	\$ 1,440	\$ 1,888	\$ 10,652	\$ 3,755
Discounts	1,854	2,322	13,099	5,663
Delinquents:				
Real Estate	7,046	9,218	52,009	18,333
Tangible Personal Property	47	43	243	190
Uncollected Franchise	2,702	2,658	14,619	
Total Credits	\$ 13,089	\$ 16,129	\$ 90,622	\$ 27,941
Net Tax Yield	\$ 135,180	\$ 166,498	\$ 939,027	\$ 371,870
Less: Commissions *	6,033	7,076	37,561	16,092
Net Taxes Due	\$ 129,147	\$ 159,422	\$ 901,466	\$ 355,778
Taxes Paid	129,031	159,269	900,889	355,476
Refunds (Current and Prior Year)	213	280	1,583	560
(Refunds Due Sheriff)		**		
as of Completion of Fieldwork	\$ (97)	\$ (127)	\$ (1,006)	\$ (258)

CLINTON COUNTY  
KAY RIDDLE, SHERIFF  
SHERIFF'S SETTLEMENT - 2000 TAXES  
October 5, 2001  
(Continued)

\* Commissions:

10% on	\$	10,000
4.25% on	\$	663,548
4% on	\$	939,027

\*\* Special Taxing Districts:

Library District	\$	(35)
Health District		(34)
Extension District		(34)
Soil Conservation District		<u>(24)</u>
(Refunds Due Sheriff)	\$	<u><u>(127)</u></u>

The accompanying notes are an integral part of the financial statement.

CLINTON COUNTY  
NOTES TO FINANCIAL STATEMENT

October 5, 2001

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The Sheriff entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of December 5, 2000, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$75,658 of public funds uninsured and unsecured.

CLINTON COUNTY  
NOTES TO FINANCIAL STATEMENT  
October 5, 2001  
(Continued)

Note 2. Deposits (Continued)

The county official's deposits are categorized below to give an indication of the level of risk assumed by the county official as of December 5, 2000.

	<u>Bank Balance</u>
Collateralized with securities held by the county official's agent in the county official's name	\$ 913,888
FDIC Insurance	100,000
Uncollateralized and uninsured	<u>75,658</u>
Total	<u>\$ 1,089,546</u>

Note 3. Tax Collection Period

The real and personal property tax assessments were levied as of January 1, 2000. Property taxes were billed to finance governmental services for the year ended June 30, 2001. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 23, 2000 through August 11, 2001.

Note 4. Interest Income

The Clinton County Sheriff earned \$1,979 as interest income on 2000 taxes. As noted in the comments and recommendations section of this report, the Sheriff should distribute the appropriate amount to the school district as required by statute, and the remainder should be used to operate the Sheriff's office. As of October 5, 2001, the Sheriff owes \$314 in interest to the school district and \$872 in interest to his fee account.

Note 5. Sheriff's 10% Add-On Fee

The Clinton County Sheriff collected \$14,685 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office. As of October 5, 2001, the Sheriff's tax account is due a refund of \$668 in 10% add-on fees from his fee account.

Note 6. Advertising Costs And Fees

The Clinton County Sheriff collected \$515 of advertising costs and \$1,240 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). As of October 5, 2001, the Sheriff owes \$515 in advertising costs to the county, and has overpaid his fee account by \$430 in advertising fees.

CLINTON COUNTY  
NOTES TO FINANCIAL STATEMENT  
October 5, 2001  
(Continued)

Note 8. Litigation

On July 21, 2000, Clinton County legal counsel, on behalf of the Clinton County Fiscal Court and Clinton County Taxing Districts, filed a lawsuit in Franklin Circuit Court against Clinton County Sheriff Kay Riddle and his bonding companies, Great American Insurance Company and United Pacific Insurance Company. This lawsuit seeks to recover \$58,797 owed the Clinton County Fiscal Court and Clinton County Taxing Districts per audit reports for Sheriff's Settlement - 1997 Taxes and Sheriff's Settlement - 1998 Taxes. However, as of October 5, 2001, the Sheriff has paid the following amounts included in the \$58,797: \$227 to the Kentucky State Treasurer and \$28,807 to the Clinton County Board of Education. The suit's outcome cannot be predicted at this time.

On December 11, 2000, legal counsel, on behalf of the Clinton County Sheriff, filed a lawsuit in Clinton Circuit Court against the Clinton County Judge/Executive. This lawsuit seeks to recover \$53,814 due from the Clinton County Fiscal Court per audit report for Clinton County Sheriff - Calendar Year 1999. These funds represent Sheriff's salary, employer's share of FICA, and unemployment insurance contributions. The suit's outcome cannot be predicted at this time.

Note 9. Contingency

As noted in the accompanying schedule of excess assets over liabilities, we have included the receivables due from the fee accounts. If the Sheriff were unable to win his lawsuit, he would be required to deposit funds in order to pay the taxing districts.

CLINTON COUNTY  
KAY RIDDLE, SHERIFF  
SCHEDULE OF EXCESS OF ASSETS OVER LIABILITIES

October 5, 2001

Assets

Cash in Bank ( All Tax Accounts)	\$	(2,370)
Collected Receivables		3,282
Uncollected Receivables:		
Other Taxing Districts-		
2000 Taxes -		
Kentucky State Treasurer	\$	258
Clinton County-		
Fiscal Court		97
Board of Education		1,006
Library District		35
Health District		34
Extension District		34
Soil Conservation District		24
1999 Taxes-		
Kentucky State Treasurer		110
Clinton County-		
Fiscal Court		278
Board of Education		1,914
Library District		92
Health District		94
Extension District		330
Soil Conservation District		49
1998 Fee Account-		
Overpayment of Tax Commissions-		
1998 Taxes		6,322
Funds Transferred in Error - 1996 Refunds		3,096
1999 Fee Account-		
Overpayment of Tax Commissions-		
1997 Taxes		10,967
1998 Taxes		13,998
Bank Service Charges-		
1997 Taxes		24
1998 Taxes		110
Taxes Deposited to Fee Account - 1998 Taxes		1,717
2000 Fee Account-		
Overpayment of Tax Commissions-		
2000 Taxes		3,957

CLINTON COUNTY  
 KAY RIDDLE, SHERIFF  
 SCHEDULE OF EXCESS OF ASSETS OVER LIABILITIES  
 October 5, 2001  
 (Continued)

Assets (Continued)

Uncollected Receivables: (Continued)

2000 Fee Account- (Continued)

Bank Service Charges-

2000 Taxes \$ 181

2001 Fee Account-

Advertising Fee - 2000 Taxes 430

Sheriff's Add-On Fees - 2000 Taxes 668

1998 Tax Account-

Funds Transferred from 1997 Tax to 1998 Tax 3,000

Funds Transferred from 1999 Tax to 1998 Tax 434 \$ 49,259

Total Assets \$ 50,171

Liabilities

Outstanding Checks \$ 41

Paid Obligations:

Other Taxing Districts-

2000 Taxes-

Kentucky State Treasurer \$ 689

Clinton County-

Board of Education 5,967

Health District 1,653

Soil Conservation District 913

Total Paid Obligations 9,222

Unpaid Obligations:

Other Taxing Districts-

Clinton County-

1997 Taxes \$ 3,508

1998 Taxes 2,926

1996 Advertising Costs 12

1997 Advertising Costs 334

1998 Advertising Costs 387

1999 Advertising Costs 354

2000 Advertising Costs 515

CLINTON COUNTY  
 KAY RIDDLE, SHERIFF  
 SCHEDULE OF EXCESS OF ASSETS OVER LIABILITIES  
 October 5, 2001  
 (Continued)

Liabilities (Continued)

Unpaid Obligations: (Continued)

Other Taxing Districts- (Continued)

Board of Education-	
1997 Taxes	\$ 7,557
1998 Taxes	6,163
1996 Interest	455
1997 Interest	1,586
1998 Interest	72
1999 Interest	104
2000 Interest	314
Overpayment of Tax Commission - 1998 Taxes	19
Overpayment of Tax Commission - 2000 Taxes	12
Library District-	
1997 Taxes	901
1998 Taxes	718
Health District-	
1997 Taxes	1,041
1998 Taxes	828
Extension District-	
1997 Taxes	1,042
1998 Taxes	859
Soil Conservation District-	
1997 Taxes	478
1998 Taxes	877
Amounts Due Sheriff's Fee Account-	
Tax Commissions Due 2000 Fee Account -	
1999 Taxes	1,190
2000 Taxes	388
Due To 2000 Fee Account From 1999 Taxes	1,230
Bank Share Commissions - 1998 Taxes	24
1998 Interest	675
1999 Interest	941
2000 Interest	872
Sheriff's Fees-	
1998 Taxes	3,983
1999 Taxes	328
Miscellaneous Fees	40
1997 Tax Account-	
Funds Transferred from 1997 Tax to 1998 Tax	3,000
1999 Tax Account-	
Funds Transferred from 1999 Tax to 1998 Tax	434
2001 Tax Account-	
2000 Refund Paid From 2001 Taxes	157



CLINTON COUNTY  
 KAY RIDDLE, SHERIFF  
 SCHEDULE OF EXCESS OF ASSETS OVER LIABILITIES  
 October 5, 2001  
 (Continued)

Liabilities (Continued)

Unpaid Obligations: (Continued)

Refunds Due Taxpayers-

Overpayment of 1996 Franchise Tax Bill	\$	18
Overpayment of 1998 Property Tax Bill		45
Overpayment of 1999 Franchise Tax Bill		244
Exoneration on 1998 Taxes		165
Exoneration on 1999 Taxes		168
Exonerations on 2000 Taxes		1,060
Overpayment of 2000 Taxes		281
		<hr/>

Total Unpaid Obligations	\$	<u>46,305</u>
--------------------------	----	---------------

Total Liabilities	\$	<u>55,568</u>
-------------------	----	---------------

Total Fund Deficit as of October 5, 2001	\$	(5,397)
--	----	---------

Personal Funds Deposited by Sheriff as of April 1, 2002		<u>6,052</u>
---	--	--------------

Overpayment of Personal Funds by Sheriff as of April 29, 2002 For 2000 Taxes	\$	<u><u>655</u></u>
--	----	-------------------

THIS PAGE LEFT BLANK INTENTIONALLY

## COMMENTS AND RECOMMENDATIONS



CLINTON COUNTY  
KAY RIDDLE, SHERIFF  
COMMENTS AND RECOMMENDATIONS

October 5, 2001

STATE LAWS AND REGULATIONS:

- 1) The Sheriff Should Close His Tax Accounts By Collecting All Receivables And Paying All Amounts Owed
- 

The proper distribution of tax money collected by the Sheriff requires the collection of receivables (including overpayments to some taxing districts) and the payment of these funds to the appropriate taxing districts. The following net collections and net payables should be made:

Money Due From Others:

1998 Fee Account	\$ 9,418
1999 Fee Account	22,134
2000 Fee Account	409
Kentucky State Treasurer	<u>368</u>

Total Due From Others	<u>\$ 32,329</u>
-----------------------	------------------

Money Due To Others:

2001 Fee Account	\$ 162
Clinton County-	
Fiscal Court	7,661
Board of Education	13,362
Library District	1,492
Health District	1,741
Extension District	1,537
Soil Conservation District	1,282
2001 Tax Account	157
Refunds Due Taxpayers	<u>1,981</u>

Total Due Others	<u>\$ 29,375</u>
------------------	------------------

We recommend the Sheriff collect the \$32,329 of receivables. These receivables will provide sufficient funds in the official bank account to pay the listed \$29,375 of money owed.

*Sheriff's Response:*

*When the fiscal court pays their obligation to the Sheriff's department, these matters will be taken care of.*

CLINTON COUNTY  
KAY RIDDLE, SHERIFF  
COMMENTS AND RECOMMENDATIONS  
October 5, 2001  
(Continued)

STATE LAWS AND REGULATIONS: (Continued)

2) The Sheriff Should Distribute Tax Collections By The Tenth Of Month

In some months, the Sheriff did not report and distribute money collected during the preceding month by the tenth of the following month as required by KRS 134.300. In other months, the Sheriff neither reported nor paid taxes at all. We recommend the Sheriff comply with KRS 134.300 which requires the reporting and distribution of each month's collections by the tenth of the following month.

*Sheriff's Response:*

*We try to deliver checks on or before the 10<sup>th</sup> of each month, but sometimes it wasn't possible to deliver by the 10<sup>th</sup>.*

3) The Sheriff Should Distribute Interest Earned On Tax Collections Monthly

KRS 134.140(3)(b) requires the Sheriff to pay monthly "... that part of investment earnings for the month which is attributable to the investment of school taxes." The Sheriff should distribute the investment earnings at the same time as the monthly tax collections. KRS 134.140(3)(d) requires the remaining monthly interest to be transferred to the Sheriff's fee account. During 2000 tax collections, Sheriff Riddle earned interest of \$1,979 on his tax account. However, Sheriff Riddle did not pay the interest to the board of education or the fee account on a monthly basis. As of October 5, 2001, the Sheriff owes \$314 in interest to the Clinton County Board of Education and \$872 in interest to his fee account. We recommend the Sheriff comply with KRS 134.140(3)(b) and (d) by paying the amount of interest due to the school and fee account on a monthly basis.

*Sheriff's Response:*

*I try to figure the interest to the best of my ability. I will do the best I can to correct this problem.*

4) The Sheriff Should Deposit Funds Intact On A Daily Basis

Technical Audit Bulletin 93-002, Section 3 and Section 4, requires the Sheriff to reconcile daily collections to daily deposits and to deposit funds intact on a daily basis. During 2000 tax collections, we noted that computerized tax collection reports were not printed daily and reconciled to the cash drawer. When these tax collection reports were printed, they included anywhere from a couple of days to an entire month. Additionally, it was noted that deposits were not made intact on a daily basis. We recommend the Sheriff print daily tax collection reports, reconcile these collection reports to the cash drawer and deposit all tax collections intact daily.

*Sheriff's Response:*

*We always try to deposit collections on a daily basis.*

CLINTON COUNTY  
KAY RIDDLE, SHERIFF  
COMMENTS AND RECOMMENDATIONS  
October 5, 2001  
(Continued)

STATE LAWS AND REGULATIONS: (Continued)

5) The Sheriff Should Prepare Tax Settlement By September 1

Sheriff Riddle should make his tax settlement with the fiscal court by September 1 each year as required by KRS 134.310. The Sheriff presented the settlement to the fiscal court September 20, 2001 and it was approved by the fiscal court October 5, 2001. KRS 134.310 states "the report of the state and local settlement shall be filed in the county clerk's office and approved by the county judge/executive no later than September 1 of each year." We recommend the Sheriff comply with this statute.

*Sheriff's Response:*

*I will see that this is done as required.*

6) The Sheriff Should Publish Settlement

The Sheriff did not publish his settlement of 2000 taxes. KRS 134.310(2) requires the publishment of Sheriff's settlement. The settlement should be published pursuant to KRS Chapter 424. We recommend the Sheriff publish his settlement in the future.

*Sheriff's Response:*

*This will be published as required.*

7) The Sheriff Should Pay Advertising Costs To The Fiscal Court

KRS 134.440 requires that advertising costs recovered from the taxpayers be paid to the fiscal court when the fiscal court has previously paid this expense. Sheriff Riddle collected \$515 in advertising costs from taxpayers during 2000 tax year. We recommend the Sheriff pay this \$515 to the County Treasurer.

*Sheriff's Response:*

*We will pay the fiscal court advertising cost.*

8) The Sheriff Should Transfer Any Delinquent Franchise Tax Bills To County Clerk

KRS 136.050 requires the Sheriff to transfer any delinquent franchise tax bills to the county clerk after the tax sale and settlement. We recommend the Sheriff transfer any delinquent tax bills to the county clerk after the tax sale and settlement are completed.

*Sheriff's Response:*

*We have just learned about transferring delinquent franchise bills over the clerk.*

CLINTON COUNTY  
KAY RIDDLE, SHERIFF  
COMMENTS AND RECOMMENDATIONS  
October 5, 2001  
(Continued)

STATE LAWS AND REGULATIONS: (Continued)

9) The Sheriff Should Have Required Depository Institutions To Pledge Or Provide Additional Collateral Of \$75,658 To Protect Deposits

---

On December 5, 2000, \$75,658 of the Sheriff's deposits of public funds in depository institutions were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the Sheriff require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

*Sheriff's Response:*

*We will ask to have the bank to raise pledge of securities for our tax account.*

INTERNAL CONTROL - REPORTABLE CONDITIONS

10) Lacks Adequate Segregation of Duties

We recognize the extent of segregation of duties is a judgment established by management. We also recognize this judgment is affected by certain circumstances beyond the elected official's control such as functions prescribed by statutes and regulations, and by budgetary constraints. Due to limited staff, a proper segregation of duties may be difficult but not impossible if adequate compensating controls are implemented. The lack of adequate segregation of duties is hereby noted as a reportable condition pursuant to professional auditing standards.

*Sheriff's Response:*

*We do the best we can, we have received a new computer to help with our taxes and office.*

11) The Sheriff Should Improve Recordkeeping Procedures

Several areas were noted where the Sheriff had poor recordkeeping procedures. These conditions are hereby noted as reportable conditions pursuant to professional auditing standards.

- a) Processing of franchise tax collections should be improved. Payments for franchise tax bills are held for months before being deposited to the official bank account. Also franchise tax bills are marked paid months after actual collection. Franchise tax bills should be marked paid upon collection. The payment should be deposited within three business days to the official bank account and recorded on the receipts ledger.
- b) Discounts and penalties on all oil property tax bills were not reported. All discounts credited and penalties collected should be included on monthly tax reports.



CLINTON COUNTY  
KAY RIDDLE, SHERIFF  
COMMENTS AND RECOMMENDATIONS  
October 5, 2001  
(Continued)

INTERNAL CONTROL - REPORTABLE CONDITIONS (Continued)

11) The Sheriff Should Improve Recordkeeping Procedures (Continued)

- c) Reconciliation of monthly tax collection to the monthly tax distribution was not always performed. By reconciling these amounts the Sheriff could ensure that all tax collected had been reported and paid to the taxing districts.
- d) A list of returned checks was not maintained. A list of returned checks noting the date of redeposit should be maintained. In addition, redeposits of returned checks should be made as separate deposits. The deposit slip should be marked as a redeposit of a returned check and the name of the party listed. Any uncollected returned checks should result in the corresponding tax bill being included on the delinquent tax list.

*Sheriff's Response:*

*We thought that we were doing what was required as far as reconciliation, and so on.*

PRIOR YEAR:

In the prior year audit report, we made the following comments and recommendations.

- The Sheriff Should Eliminate \$2,165 Deficit In His Tax Account
- The Sheriff Should Close His Tax Accounts By Collecting All Receivables And Paying All Amounts Owed
- The Sheriff Should Withhold Correct Commission For Tax Collections
- The Sheriff Should Pay Gross Tax Collections To The Board Of Education
- The Sheriff Should Distribute Tax Collections By The Tenth Of Month
- The Sheriff Should Distribute Interest Earned On Tax Collections Monthly
- The Sheriff Should Deposit Funds Intact On A Daily Basis
- The Sheriff Should Prepare Tax Settlement By September 1
- The Sheriff Should Publish Settlement
- The Sheriff Should Pay Advertising Costs To The Fiscal Court
- The Sheriff Should Transfer Any Delinquent Franchise Tax Bills To County Clerk
- Lack Of Segregation Of Duties Is A Reportable Condition And A Material Weakness
- The Sheriff Should Improve Recordkeeping Procedures
- Other Reportable Conditions And Material Weaknesses
- County Clerk Prepared Amended Franchise Bill

CLINTON COUNTY  
KAY RIDDLE, SHERIFF  
COMMENTS AND RECOMMENDATIONS  
October 5, 2001  
(Continued)

PRIOR YEAR: (Continued)

These findings have not been corrected and have been commented on in the current audit report except as noted below.

- The Sheriff Should Eliminate \$2,165 Deficit In His Tax Account
- The Sheriff Should Pay Gross Tax Collections To The Board Of Education
- County Clerk Prepared Amended Franchise Bill

REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Charlene King, Clinton County Judge/Executive  
Honorable Kay Riddle, Clinton County Sheriff  
Members of the Clinton County Fiscal Court

**Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards**

We have audited the Clinton County Sheriff's Settlement - 2000 Taxes as of October 5, 2001, and have issued our report thereon dated April 29, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, except as noted in the Independent Auditor's Report. A qualified opinion has been issued because the Sheriff's attorney did not provide us with a legal representation letter as required by auditing standards generally accepted in the United States of America.

**Compliance**

As part of obtaining reasonable assurance about whether the Clinton County Sheriff's Settlement - 2000 Taxes as of October 5, 2001 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations.

- The Sheriff Should Close His Tax Accounts By Collecting All Receivables And Paying All Amounts Owed
- The Sheriff Should Distribute Tax Collections By The Tenth Of Month
- The Sheriff Should Distribute Interest Earned On Tax Collections Monthly
- The Sheriff Should Deposit Funds Intact On A Daily Basis
- The Sheriff Should Prepare Tax Settlement By September 1
- The Sheriff Should Publish Settlement
- The Sheriff Should Pay Advertising Costs To The Fiscal Court
- The Sheriff Should Transfer Any Delinquent Franchise Tax Bills To County Clerk
- The Sheriff Should Have Required Depository Institutions To Pledge Or Provide Additional Collateral Of \$75,658 To Protect Deposits

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Clinton County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. Reportable conditions are described in the accompanying comments and recommendations.

- The Sheriff Should Close His Tax Accounts By Collecting All Receivables And Paying All Amounts Owed
- The Sheriff Should Withhold Correct Commissions For Tax Collections
- The Sheriff Should Distribute Interest Earned On Tax Collections Monthly
- The Sheriff Should Deposit Funds Intact On A Daily Basis
- Lacks Adequate Segregation Of Duties
- The Sheriff Should Improve Recordkeeping Procedures

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider the following to be material weaknesses.

- The Sheriff Should Close His Tax Accounts By Collecting All Receivables And Paying All Amounts Owed
- The Sheriff Should Deposit Funds Intact On A Daily Basis
- Lacks Adequate Segregation Of Duties
- The Sheriff Should Improve Recordkeeping Procedures

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
April 29, 2002

